

HOLD

TP: Rs 566 | ▲ 7%

DABUR INDIA

Consumer Staples

01 August 2025

Improving underlying trends but A&P needs to hold

- Compared to consensus, sales were inline but EBITDA 3% higher as A&P cuts more than offset the impact from commodity inflation
- Sales trends improved, with non-seasonal business volumes up 7% while overall volumes grew 3%
- Dabur's FY26 target of HSD sales growth is achievable but margin targets appear stretched given risk to FY27 sales growth. Hold

Lokesh Gusain

research@bobcaps.in

1QFY26 result summary: Both sales and EBITDA increased 2% on a YoY basis. Compared to consensus, sales were in line while EBITDA came in 3% higher with margins also 50bps higher. A&P was cut ~14% YoY which helped in offsetting commodity inflation. Dabur faced 7% inflation during the quarter which was largely offset with pricing and spending cuts.

Improving underlying sales: Excluding the impact from unseasonal rains / shorter summer; underlying sales trends improved. Total volumes were +3%, while with non-seasonal volume up 7%. Inventory days in General Trade also remained stable at 21-22 days. Net pricing was -2% as inflation offsetting pricing of 3%-4% was more than offset with incremental promos to distributor. International business grew 14% YoY on a constant FX basis.

FY26 outlook: Dabur expects HSD sales growth in FY26 with double digit sales growth in 2Q on a low base due to inventory correction in the last year. The company also expects "meaningful" margin expansion during the year. We forecast 8% growth on sales and 9% growth on EBITDA. While there may not be cuts to A&P on a YoY basis, we expect A&P as a percentage of sales to decline over FY26 to help offset inflationary pressures.

Our view – Dabur's target of high single digit sales growth is achievable given recent improvement and stable distributor inventory. However, its target of "meaningful" improvement in margins is unlikely without a considerable slowdown in business reinvestments. Slow spending over a period of one year can adversely impact sales growth trajectory. We value Dabur at 47x, in line with its 5Yr historical average P/E on 12m to March 2027 EPS. Our target price changes to Rs566 from Rs 538. Share price return of 7% – Hold

(Rs mn)	1Q25	1Q26	YoY (%)
Revenue	33,491	34,046	1.7
Adjusted EBITDA	6,550	6,678	2.0
EBITDA Margin (%)	19.6	19.6	6bps

Source: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	DABUR IN/Rs 529
Market cap	US\$ 10.7bn
Free float	33%
3M ADV	US\$ 14.1mn
52wk high/low	Rs 672/Rs 433
Promoter/FPI/DII	66%/17%/17%

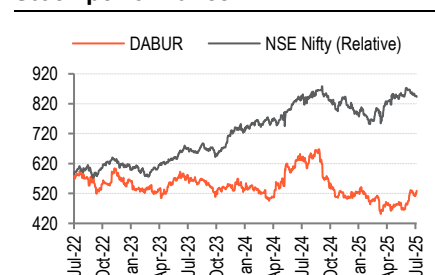
Source: NSE | Price as of 31 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	125,631	135,438	145,511
EBITDA (Rs mn)	23,164	25,153	27,655
Adj. net profit (Rs mn)	17,666	19,094	20,926
Adj. EPS (Rs)	10.0	10.8	11.8
Consensus EPS (Rs)	10.0	11.0	12.3
Adj. ROAE (%)	16.4	16.6	17.0
Adj. P/E (x)	53.1	49.1	44.8
EV/EBITDA (x)	40.8	37.6	34.1
Adj. EPS growth (%)	(4.1)	8.1	9.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



1QFY26 result review

Earnings revisions

- **Sales** – Our sales growth is (1) revised upwards for FY26, (2) unchanged in FY27 and (2) revised downwards on FY28. The 14% A&P cut is concerning and continued lower A&P as a % of sales can impact volume growth. We keep our FY27 sales unchanged but reduce our FY28 forecast to account for some share losses due to falling A&P as a % of sales.
- **Margins** – Our EBITDA margins are revised upwards across the forecast periods to account for pricing, and spending cuts.

Fig 1 – Dabur earnings revisions

(Rs mn)	Actual	New	Old	(%)	New	Old	(%)	New	Old	(%)
	FY25	FY26	FY26	Change	FY27	FY27	Change	FY28	FY28	Change
Sales	125,631	135,438	133,799	1.2	145,511	145,217	0.2	157,005	158,867	(1.2)
EBITDA	23,164	25,153	23,963	5.0	27,655	26,855	3.0	30,336	30,013	1.1
EBITDA Margin (%)	18.4	18.6	17.9	66bps	19.0	18.5	51bps	19.3	18.9	43bps
Adj. PAT	17,666	19,094	18,167	5.1	20,926	20,292	3.1	23,157	22,885	1.2
Adj. EPS	9.97	10.77	10.25	5.1	11.80	11.45	3.0	13.06	12.91	1.1

Source: Company, Bloomberg, BOBCAPS Research

Valuation

Dabur cut A&P meaningfully in 1QFY26 to manage margins. For the rest of the year, target is to improve margins meaningfully. While there may not be cuts to A&P on a YoY basis, we expect A&P as a % of sales to decline over FY26 to help offset inflationary pressures. This can adversely impact sales growth in FY27 and beyond. We forecast FY25-FY28 CAGR of 8% on sales and 9% on EBITDA.

Dabur is also looking to add high growth digital first type of businesses to its portfolio to drive volumes over the medium term. This should bode well subject to successful integration of the new business.

Dabur has traded at 5Yr average P/E of 47x on 1-year forward EPS. We value Dabur in line with its 5Yr historical average P/E on 12m to June 2027 EPS. Our target price changes to Rs566 from Rs538. Share price return of 7%. HOLD.

Risks

Key upside / downside risks to our estimates are:

- Decrease / increase in competitive intensity in beverages
- Faster / slower and stronger / weaker than expected recovery in rural
- Rebound / slowdown in urban consumption
- Fall / rise in raw material costs
- Currency appreciation / depreciation in key markets

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	124,040	125,631	135,438	145,511	157,005
EBITDA	24,002	23,164	25,153	27,655	30,336
Depreciation	3,992	4,456	4,380	4,557	4,847
EBIT	20,010	18,708	20,773	23,098	25,488
Net interest inc./(exp.)	(1,242)	(1,635)	(1,178)	(945)	(945)
Other inc./(exp.)	4,824	5,501	4,881	4,673	5,180
Exceptional items	0	0	0	0	0
EBT	23,593	22,574	24,476	26,825	29,723
Income taxes	5,474	5,175	5,648	6,170	6,836
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(319)	(278)	(275)	(271)	(271)
Reported net profit	18,427	17,666	19,094	20,926	23,157
Adjustments	0	0	0	0	0
Adjusted net profit	18,427	17,666	19,094	20,926	23,157

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	24,217	28,253	29,784	31,833	34,511
Other current liabilities	8,866	10,670	10,670	10,670	10,670
Provisions	1,773	2,157	2,157	2,157	2,157
Debt funds	11,581	7,301	8,301	8,301	8,301
Other liabilities	1,759	1,838	1,838	1,838	1,838
Equity capital	1,772	1,772	1,772	1,772	1,772
Reserves & surplus	101,259	110,330	115,543	126,862	139,432
Shareholders' fund	103,031	112,103	117,315	128,634	141,205
Total liab. and equities	151,227	162,323	170,066	183,435	198,683
Cash and cash eq.	2,476	1,843	4,715	13,646	23,439
Accounts receivables	8,987	8,885	10,155	10,882	11,846
Inventories	19,470	23,001	24,888	26,608	28,880
Other current assets	25,863	31,596	31,596	31,596	31,596
Investments	528	1,223	1,223	1,223	1,223
Net fixed assets	27,700	29,663	31,378	33,369	35,586
CWIP	0	0	0	0	0
Intangible assets	12,318	11,489	11,489	11,489	11,489
Deferred tax assets, net	0	0	0	0	0
Other assets	53,885	54,623	54,623	54,623	54,623
Total assets	151,227	162,323	170,066	183,435	198,683

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	20,135	19,868	19,073	22,246	24,195
Capital expenditures	(5,639)	(5,695)	(6,095)	(6,548)	(7,065)
Change in investments	(7,978)	(3,093)	0	0	0
Other investing cash flows	3,899	4,297	3,953	3,785	4,196
Cash flow from investing	(9,717)	(4,491)	(2,141)	(2,763)	(2,869)
Equities issued/Others	0	3	0	0	0
Debt raised/repaid	(472)	(2,168)	1,000	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(9,658)	(9,748)	(13,882)	(9,607)	(10,587)
Other financing cash flows	(1,483)	(2,138)	(1,178)	(945)	(945)
Cash flow from financing	(11,612)	(14,051)	(14,060)	(10,552)	(11,532)
Chg in cash & cash eq.	(3,383)	4,567	2,872	8,931	9,793
Closing cash & cash eq.	2,476	1,843	4,715	13,646	23,439

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	10.4	10.0	10.8	11.8	13.1
Adjusted EPS	10.4	10.0	10.8	11.8	13.1
Dividend per share	5.5	8.0	5.3	5.7	6.4
Book value per share	58.1	63.3	66.2	72.5	79.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	7.6	7.5	7.0	6.5	6.0
EV/EBITDA	39.4	40.8	37.6	34.1	30.9
Adjusted P/E	50.9	53.1	49.1	44.8	40.5
P/BV	9.1	8.4	8.0	7.3	6.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	78.1	78.3	78.0	78.0	77.9
Interest burden (PBT/EBIT)	117.9	120.7	117.8	116.1	116.6
EBIT margin (EBIT/Revenue)	16.1	14.9	15.3	15.9	16.2
Asset turnover (Rev./Avg TA)	86.2	80.1	81.5	82.3	82.2
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.4	1.4	1.4
Adjusted ROAE	18.7	16.4	16.6	17.0	17.2

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	7.6	1.3	7.8	7.4	7.9
EBITDA	10.9	(3.5)	8.6	9.9	9.7
Adjusted EPS	7.9	(4.1)	8.1	9.6	10.7
Profitability & Return ratios (%)					
EBITDA margin	19.4	18.4	18.6	19.0	19.3
EBIT margin	16.1	14.9	15.3	15.9	16.2
Adjusted profit margin	14.9	14.1	14.1	14.4	14.7
Adjusted ROAE	18.7	16.4	16.6	17.0	17.2
ROCE	17.9	15.7	16.7	17.0	17.2

Working capital days (days)

Receivables	26	26	26	26	26
Inventory	112	119	123	124	124
Payables	130	147	149	148	148

Ratios (x)

Gross asset turnover	2.5	2.3	2.2	2.1	2.1
Current ratio	1.4	1.5	1.6	1.7	1.9
Net interest coverage ratio	16.1	11.4	17.6	24.4	27.0
Adjusted debt/equity	0.1	0.1	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH0000000040 valid till 03 February 2025**

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BUY – Expected return >+15%

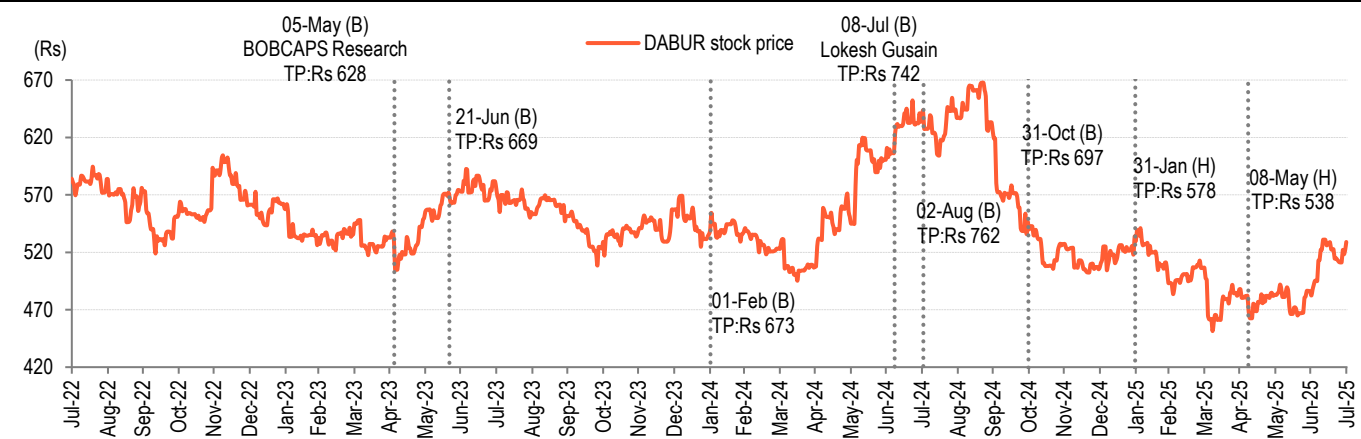
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): DABUR INDIA (DABUR IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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